

Message Text

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INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15
OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-10 EA-09
FRB-01 IO-13 NEA-10 OPIC-06 LAB-04 SIL-01 AGRE-00
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E.O. 11652: N/A

TAGS: ENRG, IEA

SUBJ: IEA/SLT - CHAIRMAN'S NOTE FOR ACCELERATED
DEVELOPMENT SUBGROUP MEETING MAY 23-24

OECD - PASS TO PETER KELLY, IEA SECRETARIAT FOR
DISTRIBUTION.

1. WORK PROGRAM: ANALYSIS OF POTENTIAL FOR INCREASED
STEAM COAL UTILIZATION WITHIN THE IEA.
2. BACKGROUND - A CONSIDERABLE AMOUNT OF USEFUL
ANALYTICAL WORK HAS BEEN PERFORMED TO DATE WITHIN THE IEA
ON THE POTENTIAL FOR INCREASED STEAM COAL UTILIZATION
AMONG MEMBER COUNTRIES; "UTILIZATION" IN THIS CONTEXT
SHOULD BE UNDERSTOOD AS INCLUDING THE ENTIRE COAL CYCLE
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FROM PRODUCTION TO END-USE IN BOILERS:

- IEA/SLT(76)48, PROSPECTS FOR COAL IN THE IEA, PREPARED
BY THE SECRETARIAT, ADDRESSED DEMAND/SUPPLY PROSPECTS,
ENVIRONMENTAL CONSTRAINTS, STANDBY USE OF COAL, AND TEN
MEASURES TO PROMOTE COAL USE;
- THE SUB-GROUP DISCUSSED THE TEN MEASURES DURING ITS
MEETING OF NOVEMBER 4, 1976; AS LANGUAGE CHANGES WERE

DEBATED, IT BECAME APPARENT THAT CONSIDERABLE REDRAFTING
WOULD BE REQUIRED;

- THE GOVERNING BOARD DECISION OF NOVEMBER 9, 1976,
LAUNCHED THE SLT INTO THE INTENSIVE WORK ON REDUCED
IMPORT DEPENDENCE, AND PRE-EMPTED AVAILABLE RESOURCES;

- THE IMMINENT FINALIZATION OF THE REDUCED IMPORT
DEPENDENCE ACTIVITY MAKES IT TIMELY TO REVIEW THE IEA
STEAM COAL ISSUE IN THE CONTEXT OF SEVERAL NEW ELEMENTS,
NOTABLY:

-- THE EMERGING IEA GROUP OBJECTIVE FOR OIL IMPORTS;

-- THE NEED TO DEVELOP CREDIBLE FALLBACK STRATEGIES IN THE
EVENT THAT NATIONAL PROGRAMS DO NOT EMERGE AS PLANNED;

-- THE DRAFT LANGUAGE ON COAL UTILIZATION CONTAINED IN
PARAGRAPH 6(VIII) OF IEA/GB(77)19, CHAIRMAN ROHWEDDER'S
NOTE.

-- THE RELEVANT COUNTRY RECOMMENDATIONS MADE DURING THE
SLT 1976-1977 REVIEWS, E.G., FOR THE U.S. IN IEA/SLT
(77)38:

"THE RESTRICTIONS ON COAL CONSUMPTION SHOULD BE DEFINED AND
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SIMPLIFIED... THE POSSIBILITIES OF STEPPED-UP EXPORTS
OF STEAM COAL TO OTHER IEA COUNTRIES SHOULD BE EXPLORED."

- ROOM DOCUMENT NUMBER 1 ON A METHODOLOGY FOR ASSESSING
STEAM COAL POTENTIAL WAS CIRCULATED DURING THE MARCH 18,
1977, MEETING OF THE SUBGROUP.

- THE SECRETARIAT HAS PREPARED A REPORT, REPLACEMENT OF
OIL USE BY COAL AND NUCLEAR, 1985-1990, IEA/WP(77)2,
WHICH ADDS VALUABLE NEW INSIGHTS INTO THE ISSUE OF IEA
STEAM COAL UTILIZATION.

WITH ALL OF THIS BACKGROUND IN MIND, AND ANTICIPATING
THAT THE SLT AND THE GOVERNING BOARD WILL CONTINUE TO
LOOK TO THE SUB-GROUP FOR ANALYSIS OF THESE COMPLEX ISSUES,
IT IS APPROPRIATE TO DEFINE A WORK PROGRAM, SPECIFYING

-- PURPOSE OF EFFORT;

-- ANALYTICAL APPROACH;

-- SCHEDULE.

3. PURPOSE OF EFFORT. THE SUB-GROUP SHOULD ADDRESS TWO

BROAD ISSUES:

(1). ECONOMIC TRADE-OFF BETWEEN THE MOST ECONOMIC, INCREMENTALLY-AVAILABLE SOURCES OF STEAM COAL FOR IEA COUNTRIES, AND OTHER BOILER FUELS--PRINCIPALLY OIL.

(2). OVER THE MID-TERM, 1985 THROUGH 1990, THE VOLUME POTENTIAL OF STEAM COAL WHICH COULD SUBSTITUTE ECONOMICALLY FOR OIL IN BOILER USE, AND SERVE AS A BACKSTOP RESOURCE.

EACH OF THESE ISSUES IS HIGHLY COMPLEX, AND SUBJECT TO WELL-KNOWN ANALYTICAL DIFFICULTIES AND UNCERTAINTIES. IN UNCLASSIFIED

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ADDRESSING THESE ISSUES, SOME ASSUMPTIONS SHOULD BE MADE EXPLICIT.

- AT THIS JUNCTURE, THE SUB-GROUP IS ENGAGING IN ECONOMIC ANALYSIS; THESE ARE DIFFICULT POLITICAL QUESTIONS SUCH FORMULATIONS OF SUPPLY COMMITMENTS, ACCESS CONDITIONS AND THE LIKE WHICH WILL HAVE TO BE DEALT WITH WHEN-AND-IF IT CAN BE ESTABLISHED THAT THE ECONOMIC AND VOLUME POTENTIAL OF COAL UTILIZATION SO WARRANT.

- EACH MEMBERCOUNTRYPARTICIPATING IN THIS ANALYSIS BEARS THE PRINCIPAL RESPONSIBILITY FOR ASSEMBLING AND PRESENTING THE ANALYSIS WHICH PERTAINS TO ITSELF; THUS FOR EXAMPLE, THE U.S. WILL PRESENT INDIGENOUS SUPPLY, CONSUMPTION AND EXPORT POTENTIAL ANALYSIS, AND BE SUBJECT TO QUESTIONS FROM ANY OTHER COUNTRY; A POTENTIAL CONSUMING COUNTRY WILL PRESENT ITS OWN ANALYSIS OF OFFLOAD, INLAND TRANSPORTATION, AND POINT-OF-USE ECONOMICS, INCLUDING OIL TRADE-OFF, AND ALSO BE SUBJECT TO QUESTIONS.

- THERE IS A CONSIDERABLE PROBLEM IN FILLING ANALYTICAL GAPS, SUCH AS ESTIMATING MARITIME COSTS AND SUPPLY POTENTIAL FROM NON-IEA EXPORTERS; THE SECRETARIAT AND THE CHAIRMAN WILL DRAFT TECHNICAL NOTES ON THESE ISSUES AND SUBMIT THEM FOR THE SUB-GROUP'S CONSIDERATION;

- THE SUCCESSFUL COORDINATION OF THESE VARIOUS ANALYSES WILL REQUIRE THE DEVELOPMENT OF A COMMON METHODOLOGY AND STRUCTURE TO INSURE THAT RESULTS ARE COMPARABLE, AND CAN BE INTEGRATED; SOLELY FOR THE PURPOSE OF ILLUSTRATING A COMPREHENSIVE METHODOLOGY, THE CHAIRMAN WILL CIRCULATE SHORTLY A PRELIMINARY DRAFT ANALYSIS WHICH TRACES A HYPOTHETICAL EXPORT FLOW FROM THE U.S. TO A FEW OTHER IEA COUNTRIES. THIS DRAFT ANALYSIS IS NOT INTENDED TO BE DEFINITIVE ON THE ECONOMIC AND VOLUME POTENTIAL ISSUES;

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IT MERELY MAKES EXPLICIT A METHODOLOGY AND SOME PRELIMINARY
HYPOTHESES WHICH ARE OPEN FOR QUESTION AND COMMENT.

4. ANALYTICAL APPROACH. THE PRELIMINARY DRAFT ANALYSIS
REFERENCED ABOVE WILL PROVIDE A BLUEPRINT FOR THE
APPROACH, WHICH SHOULD BE DISCUSSED COMPREHENSIVELY AT
THE SUB-GROUP'S NEXT MEETING.

YOU ARE URGED TO REVIEW THE PRELIMINARY DRAFT ANALYSIS
CAREFULLY, AND BE IN A POSITION TO INDICATE WHETHER THE
ANALYTICAL APPROACH IS ACCEPTABLE.

THE OUTLINE OF THE SUB-GROUP'S EVENTUAL REPORT ON INCREASED
STEAM COAL UTILIZATION COULD BE ROUGHLY AS FOLLOWS:

EXECUTIVE SUMMARY AND FINDINGS

CHAPTER I: COAL EXPORT POTENTIAL FROM IEA MEMBER COUNTRIES

SECTION I: U.S.

1.1 U.S. STEAM COAL EXPORT POTENTIAL
1.1.1 PRODUCTION CAPACITY AND DOMESTIC CONSUMPTION
1.1.2 SHORT-TERM AND LONG-TERM PRODUCTION EXPANSION
POTENTIAL
1.1.3 PRICE ANALYSIS
1.2 MARITIME TRANSPORTATION COSTS: US-IEA/EUROPE
AND PACIFIC

SECTION 2, 3, ETC... (OTHER IEA PRODUCING COUNTRIES)

CHAPTER II: NON IEA SUPPLY SOURCES

SECTION 1: AUSTRALIA
SECTION 2: POLAND
SECTION 3: SOUTH AFRICA
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SECTION 4: INDIA
SECTION 5: U.S.S.R., P.R.C., CZECHOSLOVAKIA
SECTION 6: OVERVIEW OF NON-IEA SUPPLY POTENTIAL

CHAPTER III: IEA CONSUMING COUNTRY VOLUME ANALYSIS

SECTION 1: COUNTRY X

3.1 FUTURE ELECTRICAL GENERATING REQUIREMENTS (1985,
1990)
3.2 BASELOAD POWER PLANT REQUIREMENTS
3.3 EXISTING COMMITMENTS FOR BASELOAD POWERPLANTS

- 3.4 UNCOMMITTED CAPACITY AVAILABLE FOR COAL
- 3.5 DUAL-FIRED CAPACITY AVAILABLE FOR COAL
- 3.6 OIL AND GAS PLANT COAL CONVERSION POTENTIAL
- 3.7 SENSITIVITY ANALYSIS
 - 3.7.1 NUCLEAR SHORTFALL
 - 3.7.2 HIGHER ELECTRICITY DEMAND

SECTION 2, 3, ETC... (OTHER IEA CONSUMING COUNTRIES)

CHAPTER IV: IEA CONSUMING COUNTRY ECONOMIC ANALYSIS

SECTION 1: COUNTRY X

- 4.1 BASELOAD POWERPLANT COAL ASSESSMENT
 - 4.1.1 OIL PLANT
 - 4.1.2 COAL (IN VARIOUS MODES)
 - 4.1.3 OTHER BASELOAD FUELS (IF APPROPRIATE)
 - 4.1.4 INTEGRATIVE ASSESSMENT: LEAST COST FUEL OPTION
 - 4.1.5 SENSITIVITY ANALYSIS: CHANGES IN OIL PRICES

SECTIONS 2, 3, ETC... (OTHER IEA CONSUMING COUNTRIES)

THIS STRUCTURE PARALLELS THE ONE USED IN THE PRELIMINARY UNCLASSIFIED

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DRAFT ANALYSIS; IT IS, OF COURSE, SUBJECT TO MODIFICATION AND REFINEMENT AS THE SUB-GROUP'S WORK PROGRESSES.

5. SCHEDULE - GIVEN THE OVERALL PACE THAT IS BEING SET BY THE GOVERNING BOARD, AND THE IMPORTANCE OF THIS ANALYSIS IN SUPPORTING THE DEVELOPMENT OF MEANINGFUL POLICIES FOR OIL SUBSTITUTION AND COAL UTILIZATION, AND IN SETTING THE STAGE FOR CONCRETE COOPERATIVE IEA MEASURES, THE SUB-GROUP SHOULD ENDEAVOR TO COMPLETE THE BULK OF THIS ANALYSIS PRIOR TO THE JUNE 27 GOVERNING BOARD, BY THE FOLLOWING TIMETABLE:

- MAY 16: SECRETARIAT WILL DISTRIBUTE A FIRST ANALYTICAL PACKAGE CONSISTING OF

-- PRELIMINARY DRAFT ANALYSIS;

-- SECRETARIAT'S REPORT ON REPLACEMENT OF OIL USE BY COAL AND NUCLEAR.

- MAY 23-24: SUB-GROUP MEETING DEVOTED TO REVIEW OF MAY 16 PACKAGE, AND DEFINITION OF TASKS AND RESPONSIBILITIES IN PREPARING THE SUB-GROUP'S REPORT IN DRAFT FORM, DRAWING AS APPROPRIATE FROM THE MAY PACKAGE.

COMMENT: ATTENDEES AT THIS MEETING SHOULD HAVE A GOOD

GRASP OF THE ISSUES PRESENTED IN THE PRELIMINARY DRAFT ANALYSIS; AN EFFORT HAS BEEN MADE TO CAST THE ANALYSIS IN POLICY TERMS WHICH CAN BE HANDLED BY THE SUB-GROUP, AND--ULTIMATELY-- THE SLT; HENCE THIS MEETING NEED NOT BE VIEWED AS A TECHNICAL EXPERT'S MEETING, IF IT IS PROPERLY PREPARED FOR.

- JUNE 10: MEMBER COUNTRIES SUBMISSION TO SECRETARIAT OF ADDITIONAL OR REDRAFTED SECTIONS, AS AGREED UPON DURING MAY 23-24.
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- JUNE 16-17: SUB-GROUP MEETING DEVOTED TO REVIEW OF JUNE 10 REDRAFT, AND PREPARATION OF A SUMMARY SUB-GROUP NOTE TO THE SLT REPORTING ON THE PRINCIPAL SUB-GROUP FINDINGS.

COMMENT: THIS MEETING MAY REQUIRE THE PARTICIPATION OF TECHNICAL EXPERTS, IF UNRESOLVED TECHNICAL ISSUES PERSIST.

- LATE JUNE: SUBMISSION OF SUB-GROUP'S SUMMARY NOTE TO SLT.

- MID JULY: SUB-GROUP MEETING TO FINALIZE REPORT. CHRISTOPHER

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<< END OF DOCUMENT >>

Message Attributes

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